



**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

With regards to the matter referenced in CC Docket No. 02-6:

**CXtec,
on behalf of its K12 E-Rate clientele across the country,
submits these comments in response to the petition put before the FCC by
E-Rate Central regarding the disposal of equipment purchased under the
Schools and Libraries Universal Service Support Mechanism.**

Who We Are

CXtec submits this response as an expert in the field of used technology equipment. Founded in 1978 selling used IBM Mainframe 370 parts, CXtec has grown over our nearly 30-year history to become a \$100 million company with more than 350 employees. CXtec has been included on VARBusiness magazine's annual roster of "North America's Top 500 Technology Integrators" for four consecutive years. In 2007, GovernmentVAR chose CXtec as their top pick for "Government Integrators to Watch".

We are recognized as a leader in the IT marketplace, offering both new and equal2new® certified technology equipment. Our equal2new equipment is preowned equipment that has been put through a rigorous ten step testing process at our Technology Certification and Distribution Center (TCDC). TCDC is a 70,000 square foot facility dedicated solely to certifying and distributing equal2new equipment. CXtec stocks industry leading brands and is committed to helping customers reduce the cost of their networking infrastructure and technology equipment.

What We Believe

1. The purpose of the E-Rate program is to increase access to advanced technology and telephony services to those school districts and libraries in low income and rural areas showing a substantial need.
2. Any school or library using E-Rate funded equipment, now or in the past, is the sole owner of said equipment.
3. The industry standard life span of any technology equipment is understood to be between 3-5 years.
4. The trade-in/resale value of technology equipment decreases with age. Therefore it holds less value on the secondary market.

Our Response

Having read through the petition and responses received thus far, it's apparent that the subject of surplus networking equipment needs to be dealt with in an effective and thoughtful way. We applaud E-Rate Central for posting their petition and everyone else for their responses. Older technology equipment is our area of expertise; as such we propose a workable guideline as our response on how to deal with older E-Rate funded equipment.

The Federal Communications Commission (FCC) has stated in the past that recipients of E-Rate support are expected to use all equipment purchased with universal service discounts at the particular location, for the specified purpose for a reasonable period of time. We agree with this directive.

Technology equipment is continually upgraded. When equipment purchased with E-Rate funds no longer meets the school's requirements, we encourage the FCC to authorize schools to trade-in or sell the outgrown equipment and apply the proceeds to the upgraded/replacement equipment. We suggest the Federal Government's Exchange/Sale Authority as a model.

Since the FCC is an Executive Agency under Federal Law, we believe that any program administered by the FCC would also be eligible for Exchange/Sale Authority as described by the General Services Administration (GSA).

What is Exchange/Sale?

The Exchange/Sale Authority can help schools and libraries participating in E-Rate reduce costs when replacing or upgrading network components. Exchange/Sale would allow schools and libraries to exchange or sell technology property that is being replaced. All profits from Exchange/Sale would be applied towards the acquisition of replacement technology property. Given the upgrade cycles inherent in technology products, Exchange/Sale is ideal for reducing the costs of network and telephone equipment.

Exchange/Sale applies to property that is being **REPLACED** with **SIMILAR** property. Both conditions must be met. Replacement and Similar are defined in FMR Part 102-39:

Replacement means the process of acquiring property to be used in place of property that is still needed but:

- (1) No longer adequately performs the tasks for which it is used; or
- (2) Does not meet the agency's need as well as the property to be acquired.

Similar means instances where the acquired item and replaced item:

- (1) Are identical;
- (2) Are designed and constructed for the same purpose;
- (3) Constitute parts or containers for identical or similar end items; or
- (4) Fall within a single Federal Supply Classification (FSC) group of property that is eligible for handling under the exchange/sale authority

Working under an Exchange/Sale model will ensure that technology products purchased through E-Rate would continue to support technology projects within the school district where the original funding was granted, and reduce the cost of obtaining replacement equipment.

Authorization

Although responsibility for oversight and administration of Exchange/Sale lies with the General Services Administration (GSA), Exchange/Sale Authority is United States Federal Law. It is available to and applies to all Executive agencies. Exchange/Sale was granted by The Federal Property and Administrative Services Act of 1949. Commonly referred to as The Property Act, it allows GSA to issue regulations for all aspects of government personal property management, which includes items such as network and telephone equipment. The current regulations are called The Federal Management Regulations (FMR). FMR Part 102-39 provides guidance for the replacement of personal property using Exchange/Sale.

What are the benefits to the FCC and to E-Rate Participants?

Exchange/Sale would help schools and libraries reduce costs because it allows them to exchange (trade-in) or sell equipment and apply the proceeds towards the purchase of replacement equipment. Note that when Exchange/Sale is used, the school or library retains the proceeds.

Exchange/Sale would also enable schools and libraries to avoid the storage and administrative costs associated with holding property and processing it through the traditional disposal cycle. Examples of traditional disposal options include donation, sale as surplus, abandonment, and destruction. Please note that when traditional disposal methods are used, the proceeds are often not returned to the original E-Rate recipient, nor are they guaranteed to go towards future technology projects.

We advocate the use of typical traditional disposal methods only in cases where equipment is older than 5 years and a reasonable attempt has been made to determine what value, if any, the equipment holds. Exchange/Sale should always be a school's first choice when dealing with technology equipment purchased through E-Rate.

Attachment A, provided by E-Rate Central on the originating petition, gives no indication as to how any proceeds resulting from the sale of obsolete equipment would be spent by BOCES. Exchange/Sale allows every school and library to continue to benefit from their E-Rate funding by using all proceeds towards current technology projects.

Another benefit is that the amount of work involved in processing and reporting an Exchange/Sale transaction would be less than that involved in using more widely used excess and surplus disposition methods, or in maintaining current E-Rate documentation on obsolete technology equipment.

What Would Exchange/Sale look like for E-Rate?

Schools and Libraries would be notified that Exchange/Sale applies to their E-Rate technology purchases. Exchange/Sale Authority is US Federal Law and would apply to all E-Rate transactions since inception of the Schools and Libraries Universal Support mechanism.

Schools and Libraries would be required to leave equipment in place at the originating location, for a period of three (3) years from date of purchase. After the three-year period had been satisfied, schools and libraries would have the option of:

- (1) Transfer of equipment within their district to any location with demonstrated need;
- (2) Use Exchange/Sale as a way to supplement their current technology projects.

We believe these options are the most effective way to maximize older technology equipment. It is our experience that school districts typically have locations that never receive Priority 2 funding because their funding level is below the typical cutoff of 80%. Allowing schools to use older technology in locations that never receive funding allows more students to benefit from technology, which is the premise on which E-Rate is founded.

With the inception of the “Two-in-Five Rule”, schools will see longer periods of time between funding commitments. Exchange/Sale allows technology projects to continue in years where schools and libraries are not eligible for E-Rate funding of Priority 2 projects.

We believe that allowing schools and libraries to use Exchange/Sale after year 3 maximizes any value that could be realized on the secondary market. It allows schools and libraries to realize the most value for their legacy technology equipment, and in turn provides a larger funding vehicle for technology projects not covered under E-Rate.

Last Words

The ever-increasing amount of surplus technology equipment being stored in the back rooms and basements of our nation’s schools and libraries needs to be addressed and dealt with immediately. The current mandates regarding transfer of equipment need to be abolished. The rules regarding older technology need to be changed in such a fashion that they maximize value, deter fraud and abuse, and are simple to follow and apply. Our model accomplishes those goals by:

- (1) Providing a secondary revenue source for schools and libraries to continue their technology projects in non-funded years.
- (2) Giving schools and libraries broader use of older technology by allowing them to redeploy it throughout their district.
- (3) Reducing the additional financial burden of maintaining facilities dedicated solely to storing obsolete equipment.
- (4) Allowing the use of traditional disposal methods of equipment that is no longer serviceable.
- (5) Reducing the amount of time, energy, and paperwork required documenting equipment purchased with E-Rate funds.

As an expert in the technology-remarketing field, CXtec fully supports any and all efforts by the FCC to allow schools and libraries to recycle or reuse older technology equipment. We believe that the Exchange/Sale Authority is an excellent example of how the FCC might go about implementing a comprehensive set of rules to accomplish that goal. We offer our services and expertise on the subject should anyone have questions regarding technology and the secondary market.

Respectfully Submitted:

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